

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0800-01
Bill No.: HB 228
Subject: Roads and Highways; Transportation; Transportation Department
Type: Original
Date: February 21, 2011

Bill Summary: This proposal modifies various provisions relating to billboards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation (MoDOT)** assume since the department has not relocated or reset billboards there is no statistical data that is readily available to estimate the cost to reset. Thus an assumption is made with input from an industry representative that it would cost approximately 25% of the billboards value to reset the billboard in actual cost. While it is highly unlikely, but for the purposes of this fiscal note it is assumed that no condemnation action will be necessary to acquire billboards when using the traditional method of acquisition.

It is estimated that the average value of a billboard structure is \$150,000. Using the industry estimate of 25% of the value as an actual cost to reset, the average cost per billboard to reset would be \$37,500.

It must be noted that the traditional method of purchase allows for salvage of the structure. Salvage values vary by structure; however using the industry's estimates the average salvage values should amount to approximately 50% of the billboards value. Salvage values are typically negotiated and often result in a reduction in salvage value thus a salvage value for the purpose of this exercise will be applied at 25%. An assumption will be made that all billboards acquired using the traditional method will be salvaged by the billboard owner.

Using the above estimates and assumptions the calculations below will show what is estimated as the net fiscal impact to the department:

Calculations under this proposal:

35 billboards x \$37,500 (actual cost to reset) = \$1,312,500

versus

The traditional method of acquisition/salvage

35 billboards x \$150,000 - \$37,500 (salvage value) = \$3,937,500

Potential Net Savings to the Department = \$2,625,000

These calculations indicate that an estimated \$2,625,000 could be saved under this proposal during FY 2012 - 2015 of the department's current approved STIP.

Oversight assumes there will be no fiscal impact to this proposal. In a previous response to a fiscal note, SB 57, 0374-02 (2009), MoDOT assumed no fiscal impact because they did not believe any savings would be realized until the start of the project and they did not have a time

ASSUMPTION (continued)

frame for the reconstruction. They also stated the current inventory of billboards along I-70 and I-44 was 2,189 billboards. If 50% were impacted the total billboards impacted would equal 1,095. If 70% were reset the total reset billboards would equal 767. This leaves 328 billboards that would be acquired under the traditional method. The average cost per billboard to reset would be \$37,500. In the previous fiscal note MoDOT currently had no plans for a major reconstruction or rebuild of I-70 or I-44 and did not anticipate the funds becoming available in the next three years for such a large project unless additional funding sources were identified.

Officials at the **St. Louis County** assume that there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** state MoDot has estimated that this bill will save it \$57,525,000. All of this saving will be shifted to the City, for those billboards that would be moved in Kansas City because our Code does not allow the relocation of nonconforming billboards. If one third of the billboards that are relocated are in Kansas City, then this legislation would cost Kansas City \$19,175,000. If all of those signs are digital billboards, which this legislation allows them to convert to, then the cost would be at least double, or \$38,350,000.

In response to a similar proposal, SCS for SB 57 (2009), officials at the **City of Columbia** assume there are 68 billboards and if they had to be reset it would cost \$2,860,000.

Oversight assumes there is no impact from this legislation as there is currently no reconstruction occurring on I-70 or I-44. Oversight assumes that local governments can change their code provisions bringing them in line with this proposed state law and therefore reducing any costs associated with this policy.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Yes. Possibly if the billboard would have to be acquired and could not be reset. The impact to a small business that owns or leases billboards could be that they might lose billboard inventory and/or revenue. These statutory changes are no more biased against small businesses than large businesses.

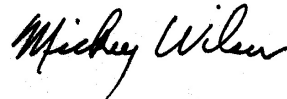
FISCAL DESCRIPTION

The proposed legislation modifies various provisions relating to billboards.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
City of Kansas City
St. Louis County



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Director
February 21, 2011